Memorandum

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The Original ISTEA-era (1992-1997) Enhancements Program

Congress, starting with the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991, has required that at least 10% of federal Surface Transportation Program funds be spent on specified categories of enhancements. ISTEA specified 10 categories of projects, since expanded to 12, which qualify as enhancements. These projects broadly fall into five groups: 1) pedestrian and bicycle facilities, 2) scenic beautification, 3) historic preservation, archeology, and museums, 4) wildlife corridors, and 5) non-point source water pollution control. Over the six years of ISTEA from FFY 1992 through FFY 1997, the amount required to be spent for enhancements in California came to $210 million, about $35 million per year.

In the absence of corresponding State legislation, the Commission in 1993 added enhancement projects into the State Transportation Improvement Program (STIP). The Commission and Caltrans prepared and adopted guidelines, and an application form which focused on project benefits and justification. In those days, the STIP was a competitive program, with projects nominated by Caltrans and regional agencies and programmed by the Commission. With $210 million, the Commission programmed 402 enhancement projects in three rounds of programming in August 1993, March 1994 and September 1996.

Challenges and Accomplishments During the First Six Years

Project delivery has been a large challenge in this program from the beginning, for a wide range of reasons:

- Enhancement projects are too different to fit well in the STIP, or any other State program. The projects are much smaller, non-transportation agencies build many of them, matching fund commitments are different, and STIP approvals, milestones, and deadlines do not fit.
- Many sponsoring agencies were not transportation agencies, did not know the STIP process ahead of time, were not tapped into Caltrans' regular communications channels, and were left adrift when Caltrans in 1995 cut back its local assistance staffing.
- The STIP was not a good arena to foster mutual understanding: sponsoring agencies did not understand transportation decision-making for the STIP, and the Commission and Caltrans

were able to bring little enhancement expertise to STIP decisions. The Commission's statewide perspective tangled with regional priorities for what were essentially localized projects. Commission policy for statewide programming equity fragmented funding.

- The fact that the STIP was a competitive program tended to lead sponsoring agencies to underestimate project costs, to squeeze an inexpensive project into the program. The open STIP competition itself was unfair among categories of enhancement projects: large scenic acquisition projects, typically costing more than $1 million, crowded out small bicycle, landscaping and historic restoration projects typically costing about $300,000.
- Neither regional plans nor the state plan included any consideration of enhancement objectives, policies, priorities, or projects. Opportunities to make well-planned investments were missed in favor of ad hoc projects that happened to be ready at the time programming rounds were announced.
- In the beginning, many transportation agencies resisted enhancement projects altogether, preferring to spend funds only on transportation, and tended to overlook the value of investment in enhancements integrated with transportation. Later, these same agencies gave priority to delivery of transportation projects, sacrificing delivery of their enhancement projects.
- Too many enhancement projects ended up with fuzzy scopes, underestimated costs, and overly optimistic schedules. State statutes require all transportation projects going into the STIP to have a project study report to define scope, cost, and schedule, but this requirement was not applied to enhancements projects, and even if it had been, many of the small, localized sponsoring agencies would have had a very difficult time meeting it. The Commission and Caltrans, having little experience with enhancement-type projects, had few good benchmarks to assess whether enhancement project costs and schedules were realistic.
- The delivery process required for STIP projects was too bureaucratic and daunting when applied to small enhancements projects, involving environmental requirements, federal design standards, administrative mandates and costs, and especially complex sequence and timing of steps in the process. The STIP process was set up for transportation projects, and neither Federal Highway Administration (FHwA) or Caltrans was able readily to adapt it to enhancement projects, which include features such as volunteer labor, right-of-way purchases at well below market value, no engineering, and items to which federal and state highway standards simply do not apply. In reality, FHwA and Caltrans behaved as if they valued accountability and low risk more than program/project success and streamlining to expedite project delivery.
- Other factors hampered the start of the program. Lengthy debate about how to structure the program delayed programming of the first round of projects until 22 months after the beginning of ISTEA. Signals about funding shortages transportation program-wide in 1994 and 1995, widely misunderstood by agencies building TEA projects, confounded project delivery. Cutbacks in Caltrans local assistance staff in 1995 limited the help available to agencies to get back on track. Few agencies recovered their timing; most ended up two to three years behind.
- In the end, many small, localized sponsoring agencies were unable to complete funding and deliver enhancement projects, or were delayed several years while coming up with additional money. In fact, the average TEA project came in about three years behind schedule, frustrating timely use of funds.

- The State accrued minimal benefit and credit from the enhancements program, which has turned out to be enormously popular at the regional and local level and with the public. However, neither Caltrans nor the Commission embraced the program during the ISTEA era, and were often seen more as obstacles than as partners by the sponsoring agencies.

Despite the challenges, the TEA program generally succeeded in meeting Congress's intent, built many good projects, even some exceptional ones, and became widely popular at the local level. The various agencies building enhancement projects in California managed to use the whole $210 million, but barely. Under federal law, ISTEA-era funds expired on September 30, 2000, which meant that all enhancement projects programmed under ISTEA had to be delivered, ready for construction, for Commission allocation of funds by August 2000. In the end, 355 (88%) of the original 402 projects were in fact delivered, along with 21 more substitute projects amended into the program to replace ones that could not be delivered, using a total of $193 million. The Commission used the remaining $17 million to fund other enhancement projects from the post-ISTEA era, ones delivered early enough before ISTEA-era funds expired.

The following chart shows a final accounting of the ISTEA-era federal enhancements program as of December 2000:

	CTC Programmed		**CTC Allocated**	
$ In Millions	**Projects**	**Cost**	**Projects**	**Cost**
Prior (pre-1993) Projects Converted to TEA	14	$7	6	$3
Round 1--August 1993	115	$58	100	$53
Round 2--July 1994	186	$103	172	$92
Round 3--September 1996	87	$42	77	$36
Total	**402**	**$210**	355	$184
Projects Not Delivered	47	$26		
Substitute Projects Delivered			21	$9
Total Delivery			**376**	**$193**
Post ISTEA-era Projects Delivered Early			5	$17

The New TEA-21/SB 45-era (1998-2003) Enhancements Program

The Legislature reformed the STIP with SB 45 in 1997; regional agencies became responsible for programming 75% of STIP funds, with the Commission to program the remaining 25% State share and shift its focus to program delivery. Congress in 1998 extended the enhancements program under TEA-21, making few changes. In response, the Commission in 1998 redesigned the way the State handled the enhancements program, modeled on SB 45 but with enhancements removed from the STIP altogether:

- 75% of federal enhancement funds were divided into regional shares, administered as direct local assistance to regional agencies,

- 25% of enhancement funds were held as a State share and divided three ways
  - about 40% of the State share went to Caltrans for programming for its own projects,
  - about 40% went to a competitive program for projects of broad statewide interest, and
  - the remainder was reserved for Conservation Lands, for large scenic acquisitions of statewide importance, to get this category of heavyweight project separated from the smaller projects in other categories;
  - rural counties with no enhancements projects could exchange funds back to the state;
  - any program savings or additional funds that came to the State share would be added to Conservation Lands until it reached par with the other two parts of the State program.

In coming up with the new TEA program design, the Commission had an eye for some of the program's earlier challenges and problems. The Commission and Caltrans prepared and adopted new sets of guidelines and application forms (with more emphasis on project scope and cost) for the State share programs, and asked the 49 regions to design their own programs and program projects as soon as practicable.

Under TEA-21, California is slated to receive $363 million in federal enhancement funds from FFY 1998 through FFY 2003, about $60 million per year -- a 73% increase from the $210 million authorized under ISTEA in 1991. Under the new program design, regional shares got $272 million and the state share got $91 million, with $40 million for Caltrans, $40 million for statewide enhancements, and $11 million as a starting point for Conservation Lands.

The State share has since received an additional $44 million from three sources: $17 million left over from ISTEA-era enhancement projects not delivered, $21 million in net savings from ISTEA-era enhancement projects being built at less than estimated cost, and $6 million in exchange from small rural counties. The Commission in 1999 and 2000 added an additional $41 million to Conservation Lands, thus extending that part of the State program to $52 million, and then in 2000 changed its new program design to allow further savings to go to any of the three parts of the state share, not solely to Conservation Lands. As of March 2001, the Commission has accrued $3 million in savings that it has not yet assigned to one part of the State program or another.

Program Progress

By March 2001, more than halfway through the six years of TEA-21, most of the TEA-21-era enhancements funds have been programmed, and some regions have programmed further (55 projects and $39 million) against expected TEA funds for FFY 2004. The Commission solicited project nominations for the State share programs starting in December 1998, and through March 2001 two rounds of Caltrans projects, one round of statewide projects, and three rounds of conservation lands projects have been programmed. The following chart shows the current status of the TEA-21/SB 45-era enhancements program:

	Programmed		**Delivered & Funded**	
$ in millions	**Projects**	**Cost**	**Projects**	**Cost**
Regional Shares	360	$254	54	$28

Caltrans' Share	47	$32	9	$4
Statewide Enhancements	18	$13	3	$3
Conservation Lands	25	$52	18	$39

About $48 million, less than a year's worth of funds, remains unprogrammed: $12 million in various regions, $9 million for Caltrans (which it intends to use on an ad hoc basis for its own projects over the next two years), and $27 million for statewide enhancements (designated for a round of programming in Fall 2001). Conservation Lands has been fully programmed, and the Commission expects no more programming there. The focus on delivery becomes ever more critical.

Going into 2001, the fourth year of TEA-21, project delivery should be approaching 50% of the six-year TEA-21 funds. With one exception, the chart above shows it is not, and in fact is still running three years in arrears; delivery now stands at about 15% for regional, Caltrans and statewide enhancements projects. Conservation Lands has proven to be the one shining star of project delivery, now at 75%, but nearly all of the delivery to date used ISTEA-era funds to forestall looming expiration of those funds last September, not new funds from TEA-21.

Challenges and Problems, and Opportunities and Constraints Under TEA-21

About a dozen major national environmental groups, loosely allied via the Surface Transportation Policy Project, were substantially responsible for convincing Congress to include the TEA program in both ISTEA and TEA-21, and serve as self-appointed watchdogs for the program in all states. Although these groups have varying specific purposes, and some of them do compete for TEA funds for their own projects, they essentially work to ensure three broad objectives: the TEA program is used for enhancements and not transportation or mitigation in disguise, the program offers open and fair access to all environmental and community interests, and the process to deliver projects is streamlined to eliminate bureaucratic steps irrelevant or non-essential for TEA projects in particular.

The Commission, FHwA, Caltrans, and regional agencies have worked to lessen some of the original challenges from the ISTEA era. The Commission in its new program design separated smaller regional/local scale projects from larger projects of statewide interest, and further separated high cost scenic acquisitions, to make the competitive playing field more level, moved most TEA projects out of the STIP into local assistance (with fewer administrative requirements), and reduced its role in programming decisions. The new project application has somewhat ameliorated the problems of unclear project scope and underestimated costs. FHwA has streamlined procedures and requirements in some places, but notably not its environmental procedures. Caltrans has restored its local assistance staffing, offers outreach and assistance to sponsoring agencies, and has been working to streamline project administration.

But in the main generic delivery challenges for the TEA program remain, and a few new ones have cropped up under the new program design:

- Most projects are still non-transportation projects, done by non-transportation agencies, via transportation programs where they become subject to transportation project requirements that do not fit.
- Agencies seeking TEA projects, as well as those trying to deliver programmed projects, are still hampered by untimely, uneven, unclear, and sometimes confusing information.
- Neither regions nor the State plan for enhancement investments, leading to programming of ad hoc hot-projects-of-the-moment and missed opportunities for broader benefits; state resources agencies particularly have fallen into this practice. The short-term horizon and fragmented funding diminishes the chance to do high value but hard-to-afford large projects.
- Agencies seeking funding for enhancement projects find the new program design to be fragmented and confusing, and cannot readily keep track of 49 regional and 3 state shares, all on different schedules. The irregular timing of programming rounds undermines program continuity, and frustrates those who cannot figure out whether to bring forward a half-baked project now or wait to bring a fully ready one next time.
- Groups interested in other kinds of enhancement projects complain that too much funding has been channeled to one kind of project – conservation lands – protected in an isolated off-the-top part of the program.
- Many transportation agencies have not yet grasped the value of investment in enhancements integrated with transportation projects; the Commission intended the Caltrans share to be used this way, but so far it has not been.
- Too many projects that get programmed still end up with fuzzy scopes, underestimated costs, and overly optimistic schedules. The project application, though better than it was, is still not tight enough to serve in lieu of a project study report, and neither regions nor the State are consistently screening projects for program eligibility, clear scope, and realistic cost and schedule.
- Although FHwA and Caltrans have streamlined procedures and requirements to some degree, there is still a long way to go to make the TEA program with all its peculiarities work smoothly.
- The State still gets little benefit and credit from the enhancements program, despite its widespread popularity. The State's previous limited attention has not built a solid foundation of trust needed to administer the program effectively.

Some of these challenges may remain intractable. Non-transportation agencies will always have to put forth extra effort to keep up to speed on requirements of transportation programs – although streamlined requirements and better communication can help here. Transportation program requirements – many of which are not germane for enhancement projects in any case – are generically part of the problem, not readily avoidable; for example, bicycle projects are built both with enhancements and regular transportation program funding, and it becomes tricky to justify waiving requirements for one project and not another if both are within the same program. Caltrans must remain in the front lines; FHwA will require Caltrans to administer the program and final decision-making to rest with transportation agencies, not resources agencies, since the funds come from a federal transportation program. Enhancement funds are federal funds, so the State must work with FHwA to see how far it can streamline procedures and still ensure that basic federal oversight responsibilities can be satisfied. Agencies not sufficiently ready to deal with the requirements of the TEA program and the rigors of federal funding may have to recognize that a different program other than federal enhancements would be a more appropriate source of funding for them. The regional agencies have become strongly attached to their regional TEA shares, now administered as local assistance funds, and the Commission would be hard-pressed at this point to change the concept of regional TEA shares – unless perhaps the Legislature were to change SB 45 fundamentally.

That still leaves several opportunities to make the program function better. One tack would head toward administrative reforms. The Commission could consider further changes in program design, possibly including tightening of the application, better coordination of programming rounds, and some consolidation of the state shares under the aegis of the new BT&H/CalEPA/Resources Agency environmental streamlining partnership. The Commission also could help to bring planning to bear on TEA, through its Regional Transportation Plan guidelines and the 2002 update of the State Transportation Plan. FHwA and Caltrans could go further in streamlining normal federal highway requirements and procedures, particularly extending to environmental requirements; in fact, FHwA has, in the last couple of years, become relatively receptive toward streamlining the program, and has gone farther in some other parts of the country than here. As long as enhancements projects continue to be handled as if they were transportation projects, Caltrans or regional agencies could consider providing proactively extra technical assistance to sponsoring agencies, beyond the normal standard.

A different tack would head toward legislation, specifically to set up a separate state enhancements program, with intent to design and use tailor-made streamlined procedures. This approach would enable enhancement projects to reside in their own program, at least partly independent from procedures appropriate and necessary for transportation but not TEA projects. However, legislation would have to negotiate hearings and potential amendments from those that might see the program differently.

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